

## Message Text

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ACTION EB-08

INFO OCT-01 AF-08 ISO-00 IO-13 L-03 NSC-05 AID-05 CIAE-00  
COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06  
SP-02 CIEP-02 OMB-01 SS-15 STR-04 CEA-01 DOTE-00  
AGRE-00 /101 W

-----120952Z 021487 /10

O R 111714Z FEB 77 ZFF-4

FM AMEMBASSY ABIDJAN

TO DEPT OF TREASURY IMMEDIATE

INFO SECSTATE WASHDC 2010

UNCLAS SECTION 1 OF 2 ABIDJAN 1474

AFDF

TREASURY FOR GAASERUD

DEPT PASS NAC AGENCIES

E.O. 11652: N/A

TAGS: AFDB, EFIN, EAID

SUBJECT: PROPOSED AFDF LOAN FOR RUSUMO-LUSHAHUNGA ROAD  
IN TANZANIA

1. SUMMARY: AFDF MANAGEMENT PROPOSES 8 MILLION FUND UNIT  
OF ACCOUNT(FUA EQUALS \$1.11US) LOAN TO GOVERNMENT OF UNITED  
REPUBLIC OF TANZANIA TO FINANCE ENTIRE FOREX COST AND A PORTION  
OF THE LOCAL CURRENCY COST OF CONSTRUCTION OF A NEW 93 KM ROAD  
IN THE WEST LAKE REGION OF TANZANIA. PROPOSED PROJECT AIMS  
AT REPLACING PERESENT 150 KM DRY WEATHER ROUTE WHICH CURRENTLY  
SERVES AS PRINCIPAL CONNECTION BETWEEN CENTRAL TANZANIA AND  
THE WEST LAKE REGION. NEW ROAD WILL ALSO CONSTITUTE AN IMPOR-  
TANT SEGEMENT OF SHORTEST INTERNATIONAL LINK TO SEA FOR LAND-  
LOCKED RWANDA.

2. AFDF DOC BD/77/08 DESCRIBING PROPOSED LOAN POUCHED TO  
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ADDRESSEES FEB 4. BOARD CONSIDERATION SCHEDULED FOR FEB 21.

3. AFDF MANAGEMENT PROPOSES 8.0 MILLION FUA LOAN TO GOVERNMENT  
OF TANZANIA. PROCEEDS WILL FINANCE ENTIRE FOREX COST OF  
6.60 MILLION FUA AND 1.40 MILLION FUA OF LOCAL COST OF:  
A) CONSTRUCTION OF 93 KM TWO-LANE BITUMEN ROAD LINKING RWANDA AND THE  
WEST LAKE REGION OF TANZANIA TO CENTRAL TANZANIA; B) CON-

SULTANT SERVICES FOR SUPERVISION OF CONSTRUCTION. PROPOSED TERMS ARE 50 YEARS AMORTIZATION INCLUDING 10 YEAR GRACE PERIOD, 0.75 PERCENT SERVICE CHARGE. TOTAL COST OF PROJECT, NET OF LOCAL TAXES, IS ESTIMATED AT 10.88 MILLION FUA. GOVT OF TANZANIA TO BE BORROWER, THE MINISTRY OF WORKS EXECUTING AGENCY.

4. ALTHOUGH THE ROAD IS LOCATED IN TANZANIA, THE PROJECT ROAD IS NOT ONLY OF IMPORANCE TO TANZANIA FOR THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE WEST LAKE REGION, BUT IT IS ALSO OF IMPORTANCE TO LAND-LOCKED RWANDA. THE MAJORITY OF RWANDA'S EXPORTS ARE NOW MOVED BY ROAD NORTH THROUGH UGANDA TO KAMPALA AND THEN CARRIED BY RAIL TO THE PORT OF MOMBASA IN KENYA. MOST IMPORTS ALSO FOLLOW THE SAME ROUTE. THE MAIN ALTERNATE ROUTE IS SOUTHBY ROAD THROUGH BURUNDI TO LAKE TANGANYIKA, BY WATER TO THE RAILHEAD AT KIGOMA IN TANZANIA, AND THEN BY RAIL TO THE PORT OF DAR-ES-SALAAM. RWANDA DESIRES AN ALTERNATE ROUTE TO THE INDIAN OCEAN, PREFERABLY THROUGH A SINGLE COUNTRY. THE PROPOSED RUSUMO-LUSAHUNGA ROAD WILL PROVIDE A LINK FROM THE CITY OF RUSUMO ON THE RWANDA/TANZANIA BORDER TO LUSAHUNGA. FROM THERE THE TAZANIAN ROAD SYSTEM CONNECTS WITH THE RAILROAD TO DAR-ES-SALAAM. RWANDA IS CURRENTLY BUILDING A ROAD TO THE BORDER TOWN OF RUSMO IN TANZANIA. A WAREHOUSE TO HANDLE SOLELY RWANDA'S GOODS IS PRESENTLY UNDER CONSTRUCTION AT THE PORT OF DAR-ES-SALAAM. DUE TO THE IMPORTANCE OF THE PORT OF DAR-ES-SALAAM TO EASTERN ZAIRE, BURNDI, ZAMBIA AND RWANDA, THE PORT IS CURRENTLY BEING EXPANDED.

5. THE PRESENT ROUTE, WHICH THE NEW ROA WILL SUPPLANT, IS UNCLASSIFIED

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150 KM LONG. IT IS A POOR, NON-ENGINEERRED, DRY WEATHER EARTH TRACK WITH NUMEROUS W SWAMP CROSSINGS WHICH MAKE IT BARELY PASSABLE BY FOUR WHELL DRIVE VEHICLES DURING WET WEATHER. THE NEW ROAD WILL FOLLOW A NEW ALIGNMENT, EXCEPT NEAR LUSAHUNGA WHERE IT WILL FOLLOW THE EXISTING ALIGNMENT FOR A LENGTH OF 18 KM. THE NEW ROAD WILL BE 93 KM LONG, THUS SAVING 57 KM OF THE EXISTING ONE AND SVING ABOUT 1 HOUR IN TRAVEL TIME. IT WILL BE AN ALL-WEATHER BITUMEN ROAD. THE CONSTRUCTION COST IS ESTIMATED AT FUA 10.88 MILLIN, NET OF TAXES, AT 1979 PRICES (COMPLTION OF WORKS). THIS FIGURE INCLUDES A 25 PERCENT CONTINGENCY FOR PRICE ESCALLATION. SIX PERCENT OF THE TOTAL COST OF THE PROJECT IS FOR OONSLULTANT SERVICES FOR THE SUPERVISION OF CONSTRUCTION WORKS.

6. THE WEST LAKE REGIN IS IN THE EXTREME NORTHWEST OF THE COUNTRY. IT IS BORDERED BY LAKE VICTORIA TO THE EAST, BY UGANDA TO THE NORTH, AND BY BURUNDI AND RWANDA ON THE WEST. IT HAS A POPULATION OF ABOUT 0.4 MILLION AND A LAND AREA OF ABOUT 21,000 KM 2. AGRICULTURE IS THE MAIN ECONOMIC ACTIVITY

OF THE REGION AND CONTRIBUTES LARGELY TOWARDS THE MAJOR EXPORT CROPS OF THE COUNTRY. IN 1970, THE WEST LAKE REGION PRODUCED 315,000 TONS OF COFFEE, OR 45 PERCENT OF THE NATIONAL PRODUCTION; COTTON PRODUCTION WAS 221,000 BALES, OR 52 PERCENT OF THE NATIONAL PRODUCTION; AND DURING THE SAME PERIOD THE REGION ALSO PRODUCED 5,171 TONS OF SUGAR, OR 6 PERCENT OF THE TOTAL PRODUCTION OF THE COUNTRY. LIVESTOCK RAISING IS ANOTHER IMPORTANT AGRICULTURAL ACTIVITY. IN 1970/71, THERE WERE 110,000 HEAD OF CATTLE, 139,000 GOATS, AND 31,000 SHEEP. DESPITE THE GREAT POTENTIAL FOR AGRICULTURAL GROWTH IN THE REGION, SUBSISTENCE FARMING SEEMS TO DOMINATE DUE TO THE LACK OF AN ADEQUATE ALL-WEATHER REGIONAL ARTERY THAT WILL CONNECT THE MAIN PRODUCTION AREAS TO THE COMMERCIAL CENTERS OR RAILHEADS FOR MARKETING. THE PROJECT ROAD IS DESTINED TO HELP THE EVACUATION OF AGRICULTURAL PRODUCE AND WILL THUS AID IN MONETIZING THE RURAL ECONOMY OF THE WEST LAKE REGION. 7. IT IS ESTIMATED THAT ABOUT 80 PERCENT OF RWANDA'S EXPORT AND IMPORT TRAFFIC WILL BE DIVERTED

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ONTO THE PROJECT ROAD.

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INFO OCT-01 AF-08 ISO-00 IO-13 L-03 NSC-05 AID-05 CIAE-00  
COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06  
SP-02 CIEP-02 OMB-01 SS-15 STR-04 CEA-01 DOTE-00  
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THE DIRECT BENEFITS TO BE DERIVED FROM THE CONSTRUCTION OF THE ROAD ARE SAVINGS IN VEHICLE OPERATING COSTS, AND AVOIDED VEHICLE OPERATING COSTS ON 57 KM OF EARTH TRACK AND SAVINGS IN TRAVEL TIME. THE INTERNAL RATE OF RETURN IS

ESTIMATED AT 25 PERCENT FOR TANZANIA. WHEN THE BENEFIT TO RWANDA IS ADDED, THE RATE OF RETURN IS ESTIMATED AT 75 PERCENT.

8. THE LOAN SHALL BE SUBJECT TO THE FOLLOWING CONDITIONS:

A) THAT THE GOVERNMENT OF TANZANIA WILL ASSURE THE AFDF THAT IT WILL ALLOW A FREE FLOW OF RWANDA'S GOODS TO AND FROM THE PORT OF DAR-ES-SALAAM; B) THAT ALLOCATIONS WILL BE MADE IN THE 1977, 1978, AND 1979 NATIONAL BUDGETS TO FINANCE THE REMAINING LOCAL CURRENCY PORTION; C) THAT THE AFDF LOAN WILL COVER COSTS NET OF ALL LOCAL TAXES; AND D) THAT THE GOVERNMENT WILL ASSUME THE RESPONSIBILITY TO MEET ANY COST OVERRUNS OVER AND ABOVE THE PRESENT ESTIMATED COST OF THE PROJECT. STEARN

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## Message Attributes

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